TD Economics

Provincial Economic Forecast

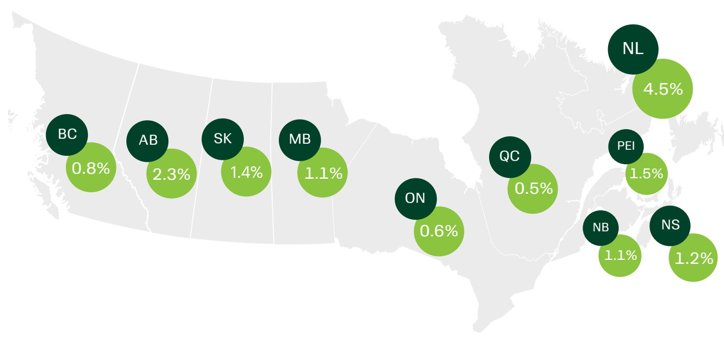
Trade Frictions Widen Regional Growth Gaps

September 21, 2026

Jump to: BC | AB | SK | MB | ON | QC | NB | NS | PE | NL | Forecast Table

- Consistent with our national forecast, we've embedded upgrades to 2026 real GDP growth across most provinces. That said, the drivers of these boosts vary, with a solid Q2 boosting Ontario, oil production lifting regions like Alberta, and investment supporting B.C.
- Regional growth divergences are set to widen into 2027 as tariffs, export bans, and higher energy prices create a clear divide between commodity-producing and manufacturing-oriented provinces. Alberta, Saskatchewan, and Newfoundland & Labrador are benefiting from stronger oil prices through higher incomes, profits, and government revenues. In addition, they're relatively insulated from trade disruptions thanks to commodity exemptions and more diversified export markets. In contrast, Ontario, Quebec, Nova Scotia, and New Brunswick face a double headwind from disproportionate tariff exposure and higher energy costs, with few offsetting benefits from the commodity price upswing.
- Federal and provincial governments have rolled out new waves of support in response to escalated trade frictions, including loan programs, wage subsidies, grants and EI enhancements. These measures should provide some offset to new external shocks.
- Recent better-than-expected employment gains have pushed unemployment rates lower across most provinces, though softer hiring next year is expected to slow further improvement. At the same time, sharply weaker population growth – including outright declines in Ontario, Quebec, B.C., Manitoba, and Newfoundland & Labrador – will restrain both labour force gains and upward pressure on jobless rates.
- Renewed conflict in the Middle East has pushed WTI oil back to the $100/bbl mark and reinforced a source of uncertainty for the economic outlook. Alberta, Saskatchewan, and Newfoundland & Labrador are benefiting through sizable revenue windfalls, energy-sector incomes and profits. Elsewhere, higher prices are a net drag.
- The combination of rising yields and downgraded economic activity underpins broad-based downgrades to growth in home sales and average home prices. On the latter, B.C. and Ontario are an exception, where compositional forces (i.e. stronger sales growth in more expensive properties) are supporting average prices. This trend is likely to persist in the near term.

Provincial Real GDP Growth Forecast (2026)



Source: TD Economics. Forecast as of September 2026.

For more details on our national forecast see our Quarterly Economic Forecast

British Columbia

British Columbia's (B.C.) economy is expected to grow at a modest pace in 2026, broadly in line with the national average, before picking up in 2027. One primary challenge facing the province is its abrupt demographic reversal. Population has now declined on a year-over-year basis for three consecutive quarters, reflecting large outflows of non-permanent residents and slowing immigration. The resulting slowdown in labour force growth and employment has weighed on many household-oriented industries (Chart 1).

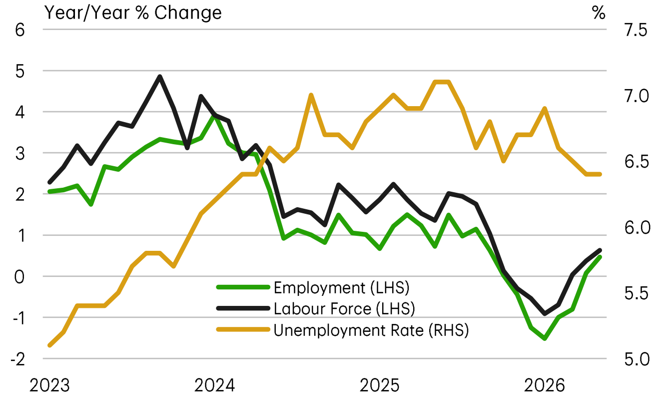
Housing markets are undergoing a similar adjustment. Slower population growth, softer demand, and rising inventories have kept market conditions favouring buyers through the first half of the year. Despite this, residential construction has held up slightly better than expected, reflecting strength in single-family building activity. We expect housing activity to remain subdued through 2026 before recovering next year as affordability improves and pent-up demand returns to the market. Against this backdrop, home sales are forecast to rise approximately 5.5% in 2027, while average prices advance by about 1%.

On the external side, the province appears better positioned than many of its peers to navigate renewed trade tensions with the U.S. Indeed, B.C. has exposure to the recently announced Section 338 tariffs and counter-tariffs through products such as electrical equipment, machinery, and wood products. But B.C.'s diversified export base provides an important buffer. LNG, coal, minerals, and other resource exports have helped reduce reliance on the U.S. market, while shipments to Asian markets continue to grow.

Several areas of the economy are also performing better than expected. Most notably, non-residential construction has strengthened in recent months, supported by industrial investment tied to LNG infrastructure, natural gas pipeline expansions and mining developments (Chart 2). This improvement in capital spending is the main factor behind our modest upward revision to our 2026 real GDP growth forecast.

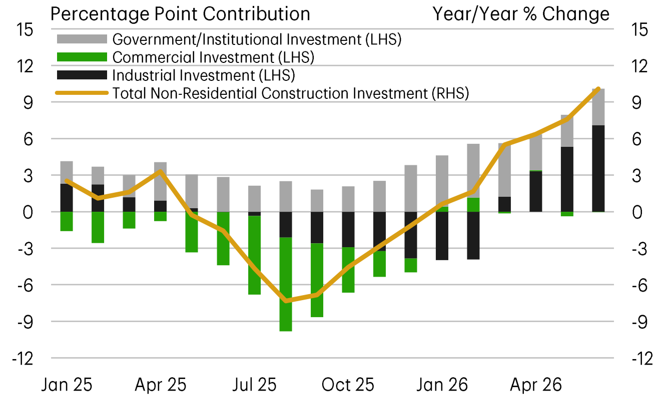
More broadly, the LNG industry remains the province's most important medium-term growth driver. Natural gas production and exports have increased significantly over the past year as LNG Canada continues to ramp up its operations. Meanwhile, ongoing progress on LNG Canada Phase 2, Cedar LNG, Woodfibre LNG, and associated pipeline infrastructure should continue to support exports, investment, and economic activity through 2027 and beyond.

Chart 1: Demographic Headwinds Weigh on B.C.'s Labour Market



Source: Statistics Canada, TD Economics.

Chart 2: Robust Industrial Investment Helping Non-Residential Construction



Source: Statistics Canada, TD Economics.

British Columbia Economic Forecasts			
[Annual average % change, unless otherwise noted]			
Economic Indicators	2026F	2027F	2028F
Real GDP	0.8	1.7	1.9
Nominal GDP	4.6	4.7	3.9
Employment	-0.2	0.7	1.0
Unemployment Rate (%)	6.3	6.0	5.6
Housing Starts (000's)	41.0	42.8	42.8
Existing Home Prices	-1.3	0.9	2.3
Home Sales	-5.6	5.4	8.5

Source: Statistics Canada, CMHC, CREA, Forecast by TD Economics.

Alberta

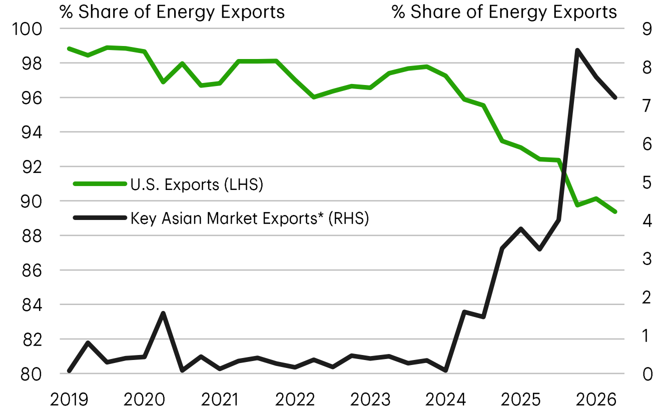
Alberta is projected to remain among Canada's growth leaders, ranking second among provinces this year before taking the top spot in 2027. After back-to-back years of roughly 4% production growth, oil output has reached a record 4.4 million barrels per day (bpd), while higher crude prices have boosted corporate profits, household incomes, and government revenues. The benefits are already visible in provincial finances. Alberta's first-quarter fiscal update transformed a projected $9.4 billion deficit into a forecasted $2 billion surplus, largely reflecting stronger resource royalties.

The Trans Mountain Expansion (TMX) continues to facilitate a sharp increase in exports to Asia, helping diversify Alberta's customer base beyond the U.S. Asian markets now account for almost 8% of provincial energy shipments, up from roughly 1% prior to the TMX (Chart 1). However, the pipeline is operating at roughly 94% of its 890,000/bpd capacity, limiting further production gains in the near term. Planned optimization projects are expected to provide some relief, lifting capacity to roughly 1.19 million/bpd by the end of 2028.

Looking ahead, attention will turn to the federal government's October 1st decision on national-interest status for the proposed west coast oil pipeline. Current proposals envision capacity exceeding 1 million/bpd and capital costs of roughly $40 billion, creating a major new export outlet for Alberta crude in the 2030s. The project is also tied to the Pathways carbon capture initiative and broader federal-provincial agreements on carbon pricing and project approvals. While not incorporated into our forecast, its advancement would represent a meaningful source of investment growth and export capacity from 2028 onward.

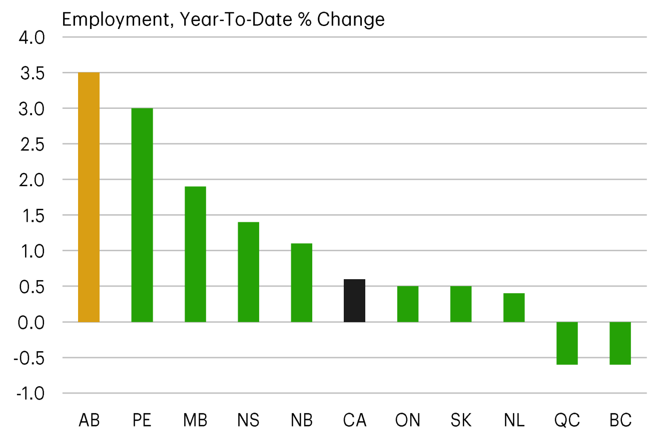
Outside of energy, rising non-residential investment is helping offset softer residential investment as housing starts ease from last year's record highs. Fundamentals nonetheless remain constructive despite recent upward pressure on borrowing rates and slower population growth. We expect home resales and average prices to grind out modest gains over the next few years spurred in part by pent-up demand. Meanwhile, Alberta's labour market remains one of the strongest in Canada, with employment up a nation-leading 3.5% year-to-date (Chart 2) and consumer spending outperforming most provinces. Ongoing trade uncertainty and retaliatory tariffs will continue to weigh on some manufacturing industries, but the province remains relatively insulated given the dominant role of energy.

Chart 1: Alberta's Energy Exports Shift Beyond the U.S.



*China, Japan, and South Korea. Source: Statistics Canada, TD Economics.

Chart 2: Alberta Leads the Nation in Job Creation



Source: Statistics Canada, TD Economics.

Alberta Economic Forecasts			
[Annual average % change, unless otherwise noted]			
Economic Indicators	2026F	2027F	2028F
Real GDP	2.3	2.4	2.1
Nominal GDP	9.3	4.2	3.7
Employment	2.9	0.8	0.9
Unemployment Rate (%)	6.6	6.2	5.8
Housing Starts (000's)	47.8	42.6	35.2
Existing Home Prices	2.5	2.5	3.6
Home Sales	-9.3	3.9	6.2

Source: Statistics Canada, CMHC, CREA, Forecast by TD Economics.

Saskatchewan

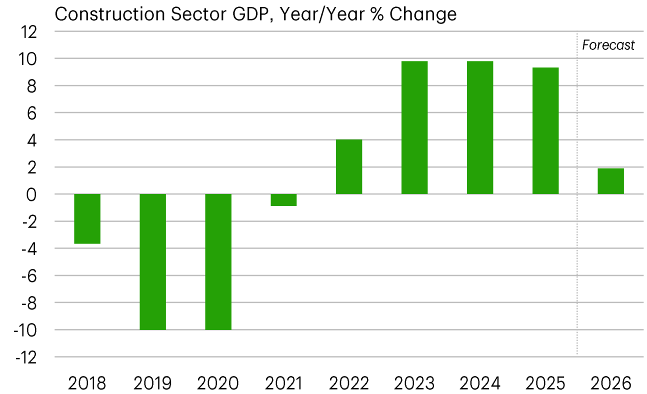
Saskatchewan's economy is expected to retain its status as one of the country's strongest performers over the forecast horizon (Chart 1). While growth is set to slow this year from the robust pace recorded in 2025, it should remain above the national average before re-accelerating in 2027. The province continues to benefit from many of the same forces supporting growth across Western Canada, including higher oil prices and relatively limited exposure to the latest escalation in Canada-U.S. trade tensions. Saskatchewan's commodity-heavy export mix leaves it comparatively insulated from tariffs, export bans, and rising energy costs.

Since March, higher oil prices have boosted Saskatchewan's resource revenues, with the province's first-quarter fiscal update showing non-renewable resource revenues about $320 million above budget. Also impressive, merchandise exports from the province are up 11.6% year-to-date through June despite ongoing global trade uncertainty. Meanwhile, potash and uranium industries continue to benefit from strong underlying demand, while major projects such as BHP's Jansen mine expansion are expected to support production growth over the medium-term.

The construction sector is unlikely to repeat the near double-digit gains recorded over the past several years (Chart 1). The pullback is driven primarily by softer residential investment following a period of strong home-building. In contrast, non-residential construction should provide an offset, supported by a large provincial capital program. Capital spending will likely hold near historically high levels in 2026, although growth is likely to level off beyond this year. Like construction, agriculture activity is expected to cool from the exceptionally strong pace recorded in recent years. Statistics Canada's latest model-based estimates point to a pullback in key crop production for 2026, particularly wheat, which fell by 10% off record levels last year.

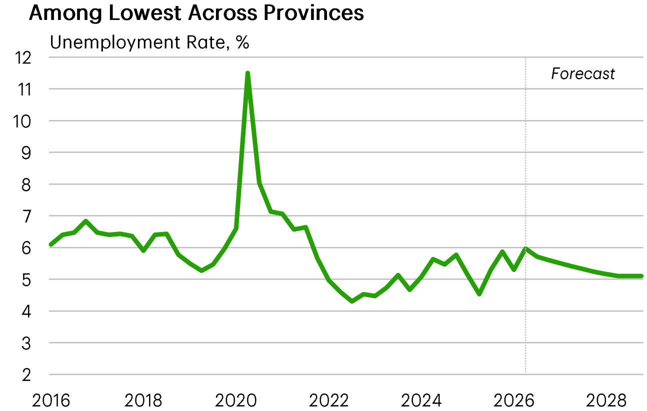
The household sector is one glaring near-term weak spot. Employment growth has slowed to roughly 0.5% year-to-date, while inflation-adjusted retail spending has cooled markedly and now ranks among the weakest in Canada. Even so, Saskatchewan continues to maintain a relatively healthy labour market outlook, with the unemployment rate expected to trend lower through the forecast horizon as hiring picks up (Chart 2). In that sense, consumer spending should improve modestly over the next year, helping to sustain overall growth at a healthy pace.

Chart 1: Saskatchewan's Construction Sector to Advance at a More Modest Pace



Source: Statistics Canada, TD Economics.

Chart 2: Saskatchewan's Unemployment Rate to Remain Among Lowest Across Provinces



Source: Statistics Canada, TD Economics.

Saskatchewan Economic Forecasts			
[Annual average % change, unless otherwise noted]			
Economic Indicators	2026F	2027F	2028F
Real GDP	1.4	1.9	2.0
Nominal GDP	6.8	4.3	3.9
Employment	0.6	0.9	0.8
Unemployment Rate (%)	5.7	5.4	5.1
Housing Starts (000's)	7.1	5.4	4.7
Existing Home Prices	4.5	3.8	4.3
Home Sales	-3.9	5.7	3.2

Source: Statistics Canada, CMHC, CREA, Forecast by TD Economics.

Manitoba

2026 is shaping up to be yet another sub-par year for Manitoba's economy. Nominal sales have climbed in its large manufacturing sector. However, stripping away inflation points to declining real output (Chart 1). And manufacturers will face further headwinds from the recently imposed tariffs by the U.S. What's more, drought conditions have plagued hydroelectric output in the utilities sector, while we look for some moderation in agricultural output after a 2025 spurt, consistent with StatCan's model-based production estimates and summer floods that disrupted the industry. Devastating summer wildfires also caused a loss of economic activity, although perhaps not to the same extent as last year.

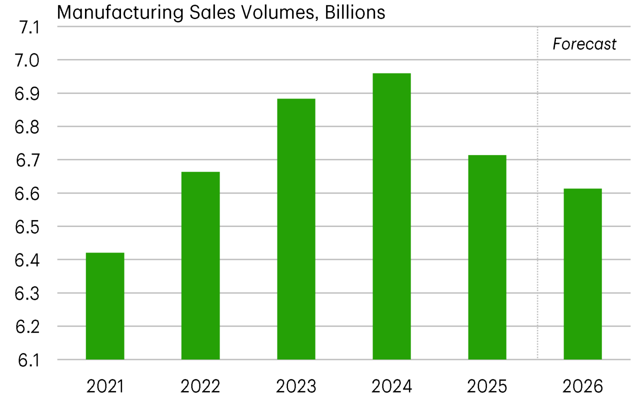
We've pencilled in a mild bounce-back in utilities production in 2027. Manufacturing output could also improve somewhat, as Manitoba will be further removed from the initial sting of the trade war. In addition, U.S. tariff reductions on agricultural/construction equipment (an important export for Manitoba) took place in June. However, risks are likely tilted to the downside for both sectors amid an uncertain trade backdrop and climate volatility.

Homebuilding has been a key strength in Manitoba this year, with inflation-adjusted residential investment up over 50% year-to-date. Homebuilding is likely to pull back next year, although the broader construction sector will likely find support from the provincial government's hefty capital spending plan.

Another major growth pillar for Manitoba this year has been the public sector. Indeed, hiring is up between about 2 year-to-date (Chart 2), consistent with healthy provincial spending plans in the latest budget. We see further support to GDP growth next year coming from this sector, consistent with budget spending plans.

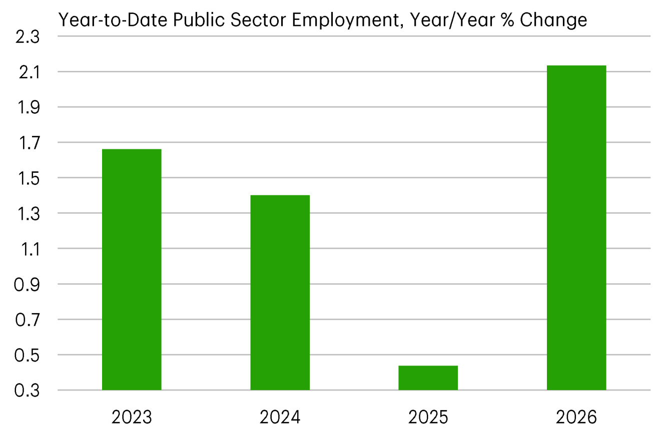
The public sector and construction industry have supported outsized job gains in Manitoba compared to the rest of Canada. Despite this, wage growth has been mediocre and inflation has been relatively elevated (even with the removal of the PST on groceries in July). The result has been falling real wages and weak retail spending trends. Looking to 2027, we foresee slower hiring, thanks to soft population growth restraining the pool of available workers. Accordingly, household spending growth will likely be subdued.

Chart 1: Manitoba's Manufacturing Volumes Being Impacted by Trade War



Source: Statistics Canada, TD Economics.

Chart 2: Public Sector Supporting Manitoba's Economy



Source: Statistics Canada, TD Economics.

Manitoba Economic Forecasts

[Annual average % change, unless otherwise noted]

Economic Indicators	2026F	2027F	2028F
Real GDP	1.1	1.5	1.6
Nominal GDP	5.2	4.2	3.6
Employment	2.0	1.1	0.7
Unemployment Rate (%)	5.3	5.0	5.0
Housing Starts (000's)	8.6	6.6	6.1
Existing Home Prices	1.9	1.9	3.6
Home Sales	-5.3	3.5	6.0

Source: Statistics Canada, CMHC, CREA, Forecast by TD Economics.

Ontario

Ontario's economy likely turned in an impressive second quarter showing, supported by a bounce-back in auto production after two quarters of weakness, a rise in residential investment, and a surge in business investment linked to data centres (Chart 1). The World Cup also offered a small lift to certain industries, which may have stretched into July. The robust Q2 performance drives our upgraded 2026 real GDP growth forecast. Even with this upgrade, Ontario's economy will likely record its weakest (non-pandemic) growth pace since the Financial Crisis.

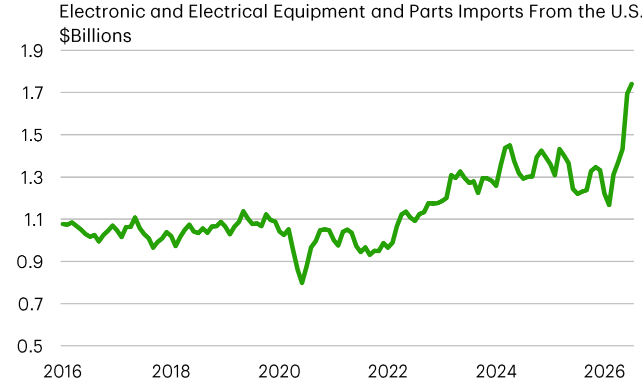
The go forward picture is muddied by new U.S. tariffs on a wide range of goods and export bans – both of which should disproportionately impact Ontario. This shock tempers our upgrade for 2026 real GDP growth while reducing growth expectations for next year, although the government has expanded access to supports since this new round of tariffs. The threat of a 25 ppt increase in the U.S. tariff rate for autos and parts in January 2027 would likely deliver a significant blow to the industry if enacted. On the positive side, GM has committed about $1.1 billion to its operations in the province.

The new tariffs could also heighten uncertainty, weighing on investment. Fortunately, government capital spending is likely to pick up the slack given a hefty infrastructure plan. After carving into GDP growth this year, homebuilding is also likely to be less of a drag in 2027, bolstered by HST cuts on new homes enacted earlier this year.

Amid pent-up demand and prior affordability improvements, resale housing activity had been on the mend until August. However, a sharp climb in bond yields underpinned a pullback in sales last month (Chart 2). Moving forward, elevated bond yields are likely to restrain growth in both home sales and prices into next year.

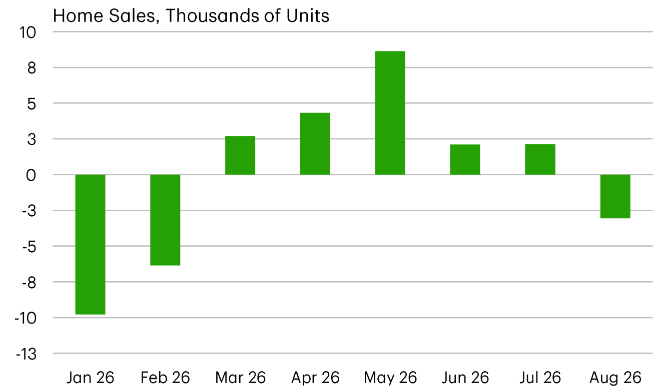
Employment has advanced by a healthy 3% annualized since March - boosted by the services sector - while the unemployment rate has dipped 0.7 ppts to 6.9%. Meanwhile, the lowest inflation rate in the country has helped real wages grow. These factors, alongside government stimulus, supported what was likely robust consumption growth in the second quarter. However, amid a fresh bout of trade-related uncertainty and still weak population growth, we expect quarterly hiring growth to cool moving forward. This should moderate consumption growth into next year.

Chart 1: Data Centres Fuelled Q2 Surge in Ontario's Business Investment



Source: Statistics Canada, TD Economics.

Chart 2: Higher Yields Stall Momentum in Ontario's Housing Market



Source: CREA, TD Economics.

Ontario Economic Forecasts

[Annual average % change, unless otherwise noted]

Economic Indicators	2026F	2027F	2028F
Real GDP	0.6	1.5	1.8
Nominal GDP	4.4	4.3	3.8
Employment	0.6	0.9	1.4
Unemployment Rate (%)	7.2	6.9	6.4
Housing Starts (000's)	61.5	63.1	79.7
Existing Home Prices	-2.6	0.6	2.8
Home Sales	-3.0	7.4	7.6

Source: Statistics Canada, CMHC, CREA, Forecast by TD Economics.

Québec

Quebec's weak economy is set to be disproportionately hit by the new wave of U.S. tariffs and export bans. The economy was entering this shock from a weaker starting point than the rest of Canada. Indeed, monthly, industry-based GDP is pointing to a sub-1% annualized gain in Q2 (Chart 1). Although growth in the back half of this year will likely be impacted by the escalation in the trade conflict, its timing points to a larger hit to 2027 annual average real GDP growth. Accordingly, we've embedded a 0.3 ppt downgrade.

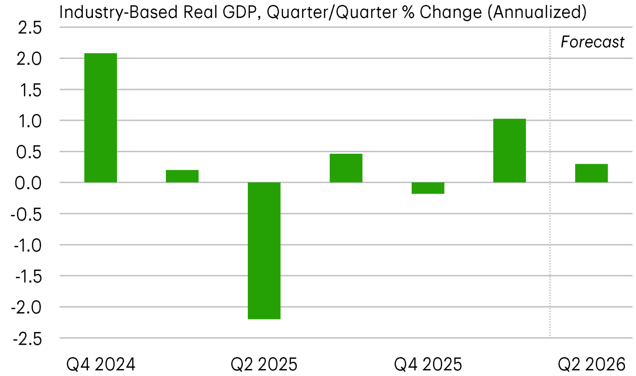
Quebec's large manufacturing sector has borne the brunt of the trade conflict with the U.S. The new U.S. measures come at an unfortunate time for the industry, as it was showing some signs of improvement. By our tally, Quebec's government has responded with at least $4 billion in relief (about 0.6%-0.7% of GDP) since the onset of the trade war - including liquidity support for businesses - and announced more programs in August.

Quebec's homebuilding sector is supplying an important growth offset to the tariff shock this year. However, we see homebuilding losing some steam in 2027 given weak population growth and rising rental vacancy rates. Fortunately, non-residential construction will be lifted next year by major projects such as the Matawinie Mine, the Quebec City tramway project, and the Port of Contrecœur expansion.

Despite some recent modest improvement, hiring has been weak (Chart 2). The province has shed some 30k jobs year-to-date, year-on-year. At the same time, inflation has been relatively firm at 3.1% in July, dragging down real wage growth. Amid these trends, households could be turning cautious. Indeed, the household savings rate climbed in the first quarter. With this potentially heightened caution and with elevated uncertainty and economic weakness likely to restrain hiring, we see household spending proceeding at a modest pace into next year.

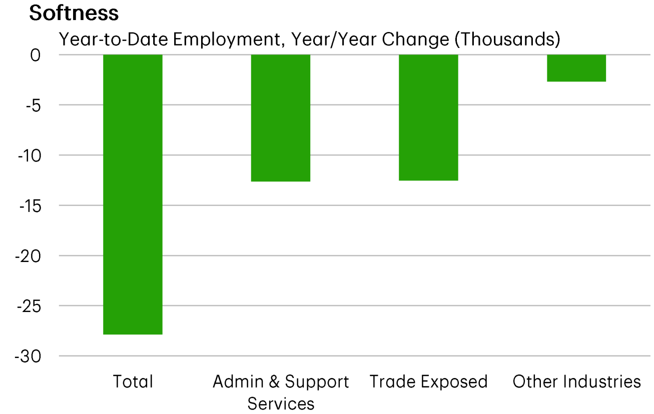
Resale home price growth remains relatively firm at 4% year-on-year. However, soft job markets and rising yields are likely weighing on housing demand. Resale markets are gradually becoming more balanced. Accordingly, we think home price growth will cool going forward.

Chart 1: Unlike the Rest of Canada, Quebec's Q2 Growth Was Likely Soft



Note: Q2 2026 is Estimated based on April/May actuals and June forecast.
Source: Quebec Government, TD Economics.

Chart 2: Employment Down in Quebec on Broad-Based Softness



Source: Statistics Canada , TD Economics.

Québec Economic Forecasts

[Annual average % change, unless otherwise noted]

Economic Indicators	2026F	2027F	2028F
Real GDP	0.5	1.2	1.3
Nominal GDP	4.6	3.9	3.3
Employment	-0.7	0.5	1.0
Unemployment Rate (%)	5.6	5.5	5.3
Housing Starts (000's)	58.6	52.0	50.3
Existing Home Prices	4.2	1.6	3.1
Home Sales	-5.4	1.1	3.1

Source: Statistics Canada, CMHC, CREA, Forecast by TD Economics.

New Brunswick

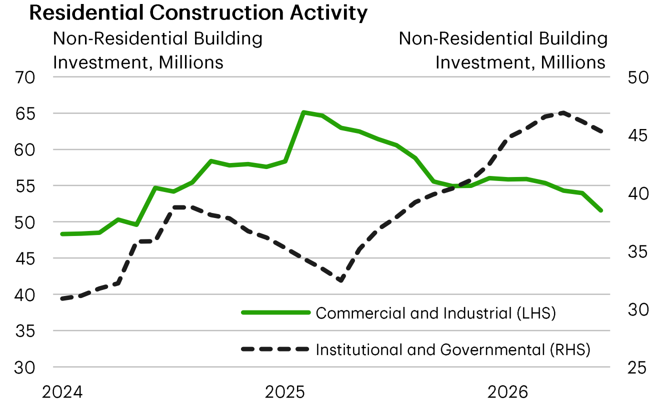
New Brunswick's economy is expected to remain on a modest growth track through the forecast horizon. We expect the province to register real GDP growth slightly ahead of the national pace in 2026 before slipping below in 2027 as structural challenges weigh on activity.

Government spending is playing an outsized role in near-term growth. The province's most recent fiscal update raised the projected in-year deficit again, largely reflecting higher health and social program funding. While the province is pursuing savings through a smaller civil service, continued spending overruns suggest public-sector activity is cushioning growth in 2026. This comes alongside a nearly $1.5 billion capital envelope (20% higher than the prior year) boosting public infrastructure's contribution to construction activity (Chart 1), following near double-digit growth in 2025. Residential construction has also supported growth, up 13% year-to-date. Housing starts and residential construction are expected to cool toward more sustainable levels in 2027, but the sector should continue to outperform many trade-exposed industries.

On the external side, the province finds itself in the crosshairs of the renewed escalation in trade frictions between the U.S. and Canada. The U.S. accounts for roughly 90% of New Brunswick's merchandise exports, more than any other province (Chart 2). Higher energy prices have propped up year-to-date export values, but beneath the headline, exports of lumber, seafood, and other manufactured products remain weak. What's more, activity in key trade-exposed sectors such as manufacturing and forestry is on pace for another tepid performance this year. Going forward, overall growth should remain uneven and highly sensitive to trade developments.

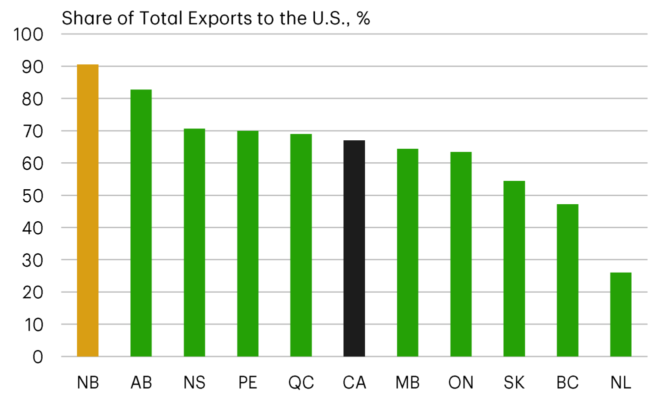
Meanwhile, the demographic tailwind that powered New Brunswick earlier this decade has largely faded. Population growth has slowed to a standstill, limiting labour force and consumer spending gains. Even so, the labour market has remained relatively resilient, with employment up 1.1% year-to-date, ahead of the national pace. Hiring strength has been concentrated in health care and education, though manufacturing employment has also proven surprisingly durable despite ongoing trade headwinds. All told, softer population growth, a slightly elevated unemployment rate, and broader softness in private-sector hiring should keep household spending growth subdued through 2027.

Chart 1: N.B. Provincial Investment Bolstering Non-Residential Construction Activity



Source: Statistics Canada, TD Economics.

Chart 2: N.B.'s Strong U.S. Ties Increase Sensitivity to Trade Shocks



Source: Statistics Canada, TD Economics.

New Brunswick Economic Forecasts			
[Annual average % change, unless otherwise noted]			
Economic Indicators	2026F	2027F	2028F
Real GDP	1.1	1.1	1.0
Nominal GDP	5.0	4.1	3.1
Employment	0.8	0.0	0.3
Unemployment Rate (%)	7.2	7.4	7.4
Housing Starts (000's)	6.5	4.5	3.1
Existing Home Prices	0.4	1.8	3.2
Home Sales	-6.0	2.9	4.1

Source: Statistics Canada, CMHC, CREA, Forecast by TD Economics.

Nova Scotia

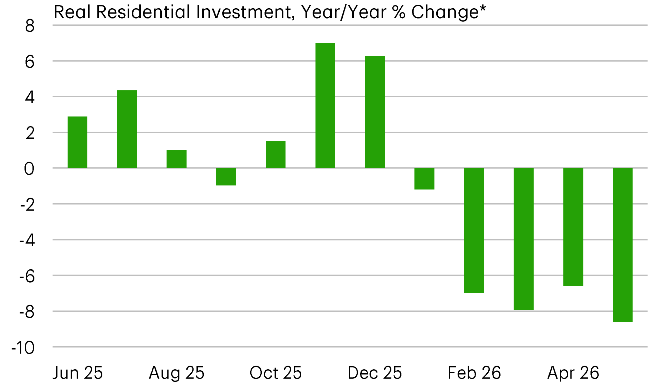
We're projecting well below average economic growth in Nova Scotia this year. Output gains in service producing industries appear on track to gear down compared to 2025, flagged by softening hiring in finance/insurance and the public sector. However, it's the goods sector that's likely to weigh the most.

Within the goods sector, homebuilding is moderating from its sizzling 2025 pace (Chart 1), although construction overall is likely to add to growth this year thanks to non-residential investment in healthcare and other projects. These same tailwinds are likely to lift construction next year as well. Investment could be given a sizeable medium-term boost by the Wind West project, which is at its very early stages. The province's construction sector will also be supported by defence investments, with $2 billion pledged by the federal government for various investments in March. Provincial capital spending is upwardly pressuring Nova Scotia's debt burden. And the recent striking down of Bill 148 (which restrained wage gains for public sector workers) by the provincial Supreme Court could add to Nova Scotia's deficit.

Manufacturing shipments are also tracking a decline - in inflation-adjusted terms - so far this year, despite the ongoing lift from large-scale, defence-related shipbuilding. The industry will be challenged by newly imposed U.S. tariffs. Meanwhile, exports have dropped year-to-date, weighed down by shipments of tires and seafood. However, there are some encouraging signs for the latter, with lobster exports to China rising since it suspended its tariffs on these products in March.

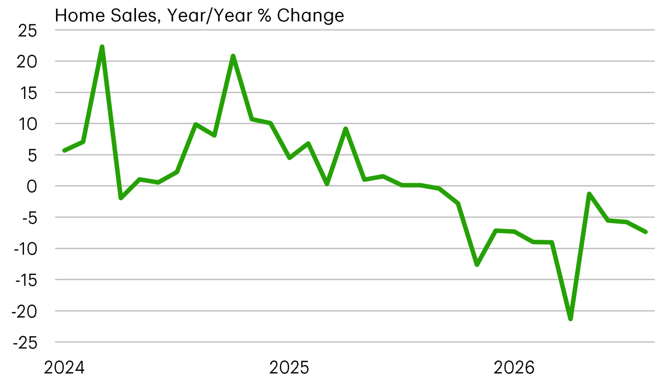
Inflation is running extremely hot (5% in July), and this is eating into real wage growth despite improving hiring momentum. Accordingly, household spending growth has eased, flagged by soft retail sales activity. Alongside cooling interprovincial migration, these trends are sapping steam from Nova Scotia's housing market (Chart 2). Housing affordability has also deteriorated significantly – resale home prices are notably up 85% from their pre-pandemic level. This, too, is weighing on demand and rapidly rebalancing market conditions. In response, price growth has cooled, with average prices up only 1.4% year-to-date. With population and job growth likely to remain muted next year, subdued home price growth is likely in the cards.

Chart 1: Homebuilding Cooling Amid Weak Population Growth



*3-Month Moving Average. Source: Statistics Canada, TD Economics.

Chart 2: Several Headwinds Cooling Housing Activity in Nova Scotia



Source: CREA, TD Economics.

Nova Scotia Economic Forecasts			
[Annual average % change, unless otherwise noted]			
Economic Indicators	**2026F**	**2027F**	**2028F**
Real GDP	1.2	1.5	1.5
Nominal GDP	5.7	4.0	3.5
Employment	1.7	0.8	0.3
Unemployment Rate (%)	6.7	6.9	6.9
Housing Starts (000's)	7.4	6.7	6.1
Existing Home Prices	0.5	1.9	2.3
Home Sales	-8.0	2.7	6.1

Source: Statistics Canada, CMHC, CREA, Forecast by TD Economics.

Prince Edward Island

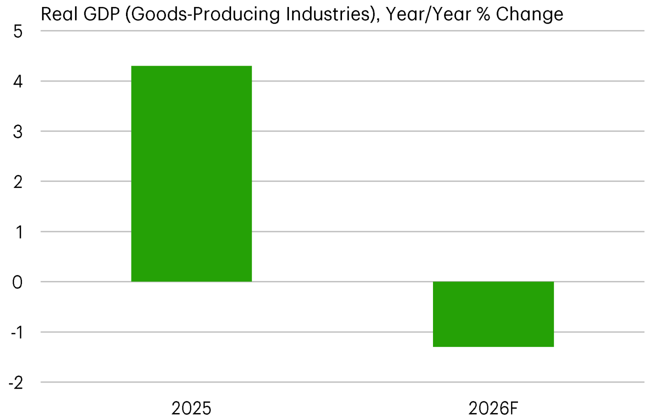
PEI's multi-year run of robust economic growth is likely to come to a halt this year, with our tracking pointing to its softest real GDP growth pace since 2015. Echoing that period, population growth – likely the largest driver of PEI's recent strength – has faded, climbing just 0.2% year-on-year at the start of the second quarter.

Aside from this factor, output growth in the goods-producing sector has geared down from 2025's solid pace (Chart 1). Nominal manufacturing sales, for example, are down about 2% year-to-date. That said, the external picture still has some relative bright spots, with exports up 7% so far this year, supported by a powerful gain in shipments to markets outside of the U.S. Looking ahead, we're projecting some modest improvement in PEI's manufacturing sector. Notably, PEI is relatively unscathed from the latest round of U.S. tariffs but has rolled out a support package worth 0.1% of GDP in response.

Elsewhere, our forecast anticipates agricultural production partially bouncing back after a weak 2025, although declining seeded area for potatoes offers some downside risk for this year. However, the largest drag on PEI's growth this year is coming from construction, with residential and non-residential investment rapidly unwinding from unsustainable 2025 rates. Next year, we expect a flatter performance, thanks to government investment and a lesser decline in homebuilding. On the former, note that the latest government capital spending intentions are robust. Construction output transitioning from a major growth drag this year to more neutral in 2027 should offer a GDP growth boost next year.

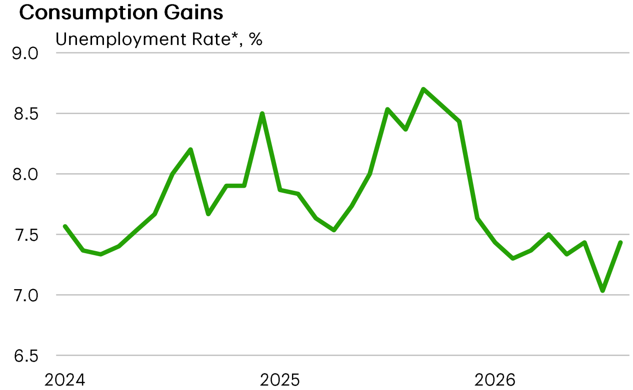
We'd project even softer real GDP growth in 2026 were it not for still-fiery job gains. Indeed, hiring is up 3% year-to-date, supported by trade and the public sector. Employment in accommodation/food services is also up firmly, consistent with a climb in tourism activity - overnight stays are up about 3% so far this year. The Island's tight jobs market (Chart 2) is fuelling sturdy wage growth, supporting a healthy increase in retail spending. Notably, PEI's unemployment rate was 7.4% (on a 3-mma basis) in August – miles below its long-run average. However, cooler economic growth relative to years past, modest inflation-adjusted provincial government spending plans and soft population growth should combine to moderate job and household spending growth in 2027.

Chart 1: PEI's Goods-Producing Sector to Cool in 2026



Note: "F" = TD Economics Forecast. Source: Statistics Canada, TD Economics.

Chart 2: PEI's Low Unemployment Supporting Wage and Consumption Gains



*3-Month Moving Average. Source: Statistics Canada, TD Economics

P.E.I. Economic Forecasts

[Annual average % change, unless otherwise noted]

Economic Indicators	2026F	2027F	2028F
Real GDP	1.5	1.6	1.5
Nominal GDP	5.9	4.2	3.5
Employment	2.7	0.1	0.3
Unemployment Rate (%)	7.5	7.8	8.0
Housing Starts (000's)	1.9	1.3	1.1
Existing Home Prices	4.0	2.3	2.6
Home Sales	-11.0	4.8	4.5

Source: Statistics Canada, CMHC, CREA, Forecast by TD Economics.

Newfoundland & Labrador

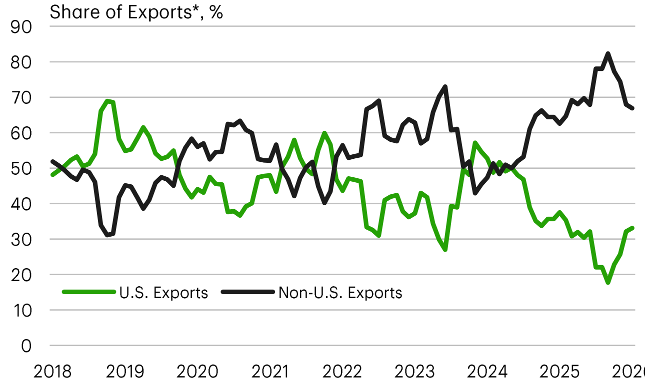
Newfoundland and Labrador (N.L.) is poised to lead provincial growth in 2026, supported by rising offshore oil production, elevated crude prices, and expanding mining activity. Oil and gas extraction account for nearly one-fifth of provincial GDP and year-to-date oil production volumes are up nearly 18% over the same seven months last year. The production surge is providing a significant boost to exports, corporate profits, and government revenues.

Around 70% of the province's merchandise exports are destined for non-U.S. markets – the highest share across provinces – limiting direct exposure to renewed trade frictions between Canada and the U.S. (Chart 1). However, oil represents roughly 60% of shipments, and the rise in manufacturing shipments has also been powered by resource-processing industries, so trade performance remains highly sensitive to developments in global energy markets. Meanwhile, the ramp-up of the Valentine Gold Mine is lifting mineral production and establishing gold as a more meaningful contributor to provincial output.

Beneath the impressive headline growth, domestic conditions remain subdued, part of the reason growth is expected to slow materially in 2027. The population has shrunk for two consecutive quarters – a trend we expect to continue – and as a result, overall employment growth is likely to remain weak. A smaller labour force should help limit the rise in the unemployment rate, which we expect to only modestly increase to 11% by late-2027. Together, these trends point to continued weakness in household spending, which is already among the softest in Canada. Construction is another weak spot. Non-residential investment remains near decade lows, and a scaled-back provincial capital plan will restrain activity even as residential construction provides a partial offset (Chart 2).

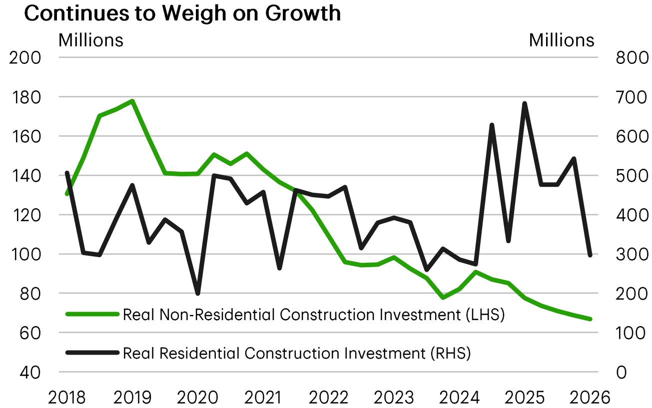
Looking beyond 2027, N.L. has an opportunity to harness more durable sources of growth. The Bay du Nord offshore oil project alone represents roughly $12 billion in potential capital investment and would help extend the province's offshore production profile well into the next decade. Meanwhile, Churchill River generation and transmission projects could unlock billions in investment while strengthening the province's role as a supplier of clean electricity. We have not adjusted our near-term growth forecast based on these factors, but they present important upside from 2028 onward.

Chart 1: Newfoundland's Trade Diversification Limits Tariff Exposure



*3-Month Moving Average. Source: Statistics Canada, TD Economics.

Chart 2: Newfoundland's Non-Residential Construction Continues to Weigh on Growth



Source: Statistics Canada, TD Economics.

NFLD & Labrador Economic Forecasts

[Annual average % change, unless otherwise noted]

Economic Indicators	2026F	2027F	2028F
Real GDP	4.5	1.2	0.7
Nominal GDP	11.5	3.4	2.8
Employment	0.3	-0.6	0.1
Unemployment Rate (%)	9.5	10.8	11.3
Housing Starts (000's)	1.8	1.5	1.3
Existing Home Prices	4.2	1.4	2.5
Home Sales	-7.9	3.7	2.2

Source: Statistics Canada, CMHC, CREA, Forecast by TD Economics.

Provincial Economic Forecasts

Provincial Economic Forecasts																		
Provinces	Real GDP (% Chg.)			Nominal GDP (% Chg.)			Employment (% Chg.)			Unemployment Rate (Average, %)			Housing Starts (Thousands)			Home Prices (% Chg.)		
	2026F	2027F	2028F	2026F	2027F	2028F	2026F	2027F	2028F	2026F	2027F	2028F	2026F	2027F	2028F	2026F	2027F	2028F
National	**0.9**	**1.6**	**1.8**	**5.5**	**4.3**	**3.7**	**0.5**	**0.7**	**1.1**	**6.6**	**6.4**	**6.0**	**242.3**	**226.6**	**230.5**	**0.1**	**1.7**	**3.3**
Newfoundland & Labrador	4.5	1.2	0.7	11.5	3.4	2.8	0.3	-0.6	0.1	9.5	10.8	11.3	1.8	1.5	1.3	4.2	1.4	2.5
Prince Edward Island	1.5	1.6	1.5	5.9	4.2	3.5	2.7	0.1	0.3	7.5	7.8	8.0	1.9	1.3	1.1	4.0	2.3	2.6
Nova Scotia	1.2	1.5	1.5	5.7	4.0	3.5	1.7	0.8	0.3	6.7	6.9	6.9	7.4	6.7	6.1	0.5	1.9	2.3
New Brunswick	1.1	1.1	1.0	5.0	4.1	3.1	0.8	0.0	0.3	7.2	7.4	7.4	6.5	4.5	3.1	0.4	1.8	3.2
Québec	0.5	1.2	1.3	4.6	3.9	3.3	-0.7	0.5	1.0	5.6	5.5	5.3	58.6	52.0	50.3	4.2	1.6	3.1
Ontario	0.6	1.5	1.8	4.4	4.3	3.8	0.6	0.9	1.4	7.2	6.9	6.4	61.5	63.1	79.7	-2.6	0.6	2.8
Manitoba	1.1	1.5	1.6	5.2	4.2	3.6	2.0	1.1	0.7	5.3	5.0	5.0	8.6	6.6	6.1	1.9	1.9	3.6
Saskatchewan	1.4	1.9	2.0	6.8	4.3	3.9	0.6	0.9	0.8	5.7	5.4	5.1	7.1	5.4	4.7	4.5	3.8	4.3
Alberta	2.3	2.4	2.1	9.3	4.2	3.7	2.9	0.8	0.9	6.6	6.2	5.8	47.8	42.6	35.2	2.5	2.5	3.6
British Columbia	0.8	1.7	1.9	4.6	4.7	3.9	-0.2	0.7	1.0	6.3	6.0	5.6	41.0	42.8	42.8	-1.3	0.9	2.3

F: Forecast by TD Economics September 2026. Source: Canadian Real Estate Association, Canada Mortgage and Housing Corporation, Statistics Canada, TD Economics.

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